

Escrow Disclosure Statement

The following pages will provide you with samples of the Escrow Disclosure Statement and letter of explanation that were sent to our contract holders. The Escrow Disclosure Statement reflects the activity for the current fiscal year for the escrow accounts and the projected activity for the next fiscal year along with any changes or refunds due. We have samples of both a disclosure for an account with a refund and an account with a shortage.

In addition, we have provided some frequently asked questions and answers to assist you in your understanding of the Escrow Disclosure process. Should you require further information, you may reach us at our email address loanserv@cdva.ca.gov, or our mailing address at P.O. Box 942895, Sacramento, CA 94295-0001 or by calling 1-800-952-5626.

- I. Cover Letter
- II. Example of an Escrow Disclosure Statement with a Refund
- III. Example of an Escrow Disclosure Statement with a Shortage
- IV. Questions and Answers about your Escrow Disclosure Statement

JUNE 30, 2011

NOTICE REGARDING ESCROW DISCLOSURE

Enclosed is the Escrow Disclosure Statement (Statement) and notice of new mortgage payment for your CalVet loan. Each year CalVet reviews your escrow account to determine if the current monthly payment amounts are sufficient to cover your projected taxes and/or insurance premiums. Increases or decreases in your annual tax and/or insurance amounts may cause your monthly payment to change. The first section of the Statement projects activity for the upcoming 12 months as well as any changes to your monthly installment. If applicable, the Statement also provides you the previous years' projections so you can compare it to the actual payments and disbursements in the Actual Activity Section. The Actual Activity Section of the Statement reflects activity on your escrow accounts from August 1, 2010, through July 31, 2011. Payments are shown in the month received which may not necessarily be the month due. The Statement assumes timely receipt of payments and scheduled disbursements through July 31, 2011.

The top portion of the Statement reflects the anticipated escrow activity for the coming 12 months beginning August 1, 2011. The total projected payments from escrow divided over the 12-month period equals your monthly projected payment to escrow. If there is a shortage in your escrow account, your **new escrow** payment may be higher than your projected payment to escrow (the total of projected payment to escrow plus the shortage divided by 12). If your account reflects an escrow surplus, you may be mailed a refund.

Refund: Refunds will be mailed within 30 days. If you are in the CalVet property tax program, recently purchased or built a new home, and are scheduled to receive a refund; we may not have paid a tax bill based on the full assessed value, and/or a Supplemental Tax Bill may be pending. Tax bills other than the annual secured bill are your responsibility to pay. Before spending your refund, you should check with your local County Tax Collector and/or the Assessor's Office to determine if a Supplemental Tax Bill is pending.

Shortage: If you choose to pay the escrow shortage in full rather than have it collected over 12 months, your new monthly payment is the amount listed in the top portion of your Statement. Your check for the lump sum payment and request should be submitted directly to the Customer Services Unit at the address listed below.

Please take the time to review the Statement prior to the changes taking place. Changes to your monthly installment, as indicated in your Statement, will be reflected on your August 1, 2011 billing statement. If you are enrolled in CalVet's Electronic Funds Transfer program, your payment will be automatically adjusted for your August 1st installment. If you are using another payment provider, please notify them of the change in payment to avoid possible late fees and/or negative credit reporting.

If you have questions, please submit your inquiries in writing to the CalVet Customer Services Unit, P. O. Box 942895, Sacramento, CA 94295-0001, by FAX at (916) 653-2450, or send by E-mail to loanserv@calvet.ca.gov. Additional information (Q & As) and sample Statements can be found on our website at <http://www.calvet.ca.gov/calvetloans/escrow.pdf>.

We appreciate your business and thank you for being a CalVet customer.

Escrow Disclosure Statement

Analysis from: 08/01/2011 to 07/01/2012 for Coming Year

Account No: xxxxxx
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3,246.96	Total Projected Payments from Escrow
12	Divide by Number of Months in Analysis Period
270.58	Equals the Projected Payment to Escrow
541.16	Target Balance* (Cannot be Greater than 2 Escrow Payments)
1,414.73	Required Starting Balance to achieve the Target Balance
1,802.75	Subtract Projected Starting Balance
-388.02	Your account is showing a surplus of \$388.02. We are sending you a check for the surplus.

New P&I	New Escrow	New Payment
1,015.83	270.58	1,286.41

Month	Payments to Escrow	Payments from Escrow	Description	Required Balance
			STARTING BALANCE	1,414.73
August	270.58	50.59	Ins. Mandatory Life - Std	1,634.72
September	270.58	50.59	Ins. Mandatory Life - Std	1,854.71
September	0.00	426.24	Fire & Hazard Insurance	1,428.47
September	0.00	440.94	Disaster Indemnity Premiums	987.53
October	270.58	50.59	Ins. Mandatory Life - Std	1,207.52
November	270.58	50.59	Ins. Mandatory Life - Std	1,427.51
November	0.00	886.35	Property Taxes	541.16
December	270.58	50.59	Ins. Mandatory Life - Std	761.15
January	270.58	50.59	Ins. Mandatory Life - Std	981.14
February	270.58	50.59	Ins. Mandatory Life - Std	1,201.13
March	270.58	50.59	Ins. Mandatory Life - Std	1,421.12
April	270.58	50.59	Ins. Mandatory Life - Std	1,641.11
May	270.58	50.59	Ins. Mandatory Life - Std	1,861.10
May	0.00	886.35	Property Taxes	974.75
June	270.58	50.59	Ins. Mandatory Life - Std	1,194.74
July	270.58	50.59	Ins. Mandatory Life - Std	1,414.73

Projections from: 08/01/2010 to 07/01/2011 for Previous Year

Month	Payments to Escrow	Payments from Escrow	Description	Projected Balance
			STARTING BALANCE	1,927.19
August	303.69	43.88	Ins. Mandatory Life - Std	2,187.00
September	303.69	43.88	Ins. Mandatory Life - Std	2,446.81
September	0.00	426.24	Fire & Hazard Insurance	2,020.57
September	0.00	440.94	Disaster Indemnity Premiums	1,579.63
October	303.69	43.88	Ins. Mandatory Life - Std	1,839.44
November	303.69	43.88	Ins. Mandatory Life - Std	2,099.25
December	303.69	43.88	Ins. Mandatory Life - Std	2,359.06
December	0.00	1,125.28	Property Taxes	1,233.78
January	303.69	43.88	Ins. Mandatory Life - Std	1,493.59
February	303.69	43.88	Ins. Mandatory Life - Std	1,753.40
March	303.69	43.88	Ins. Mandatory Life - Std	2,013.21
April	303.69	43.88	Ins. Mandatory Life - Std	2,273.02
May	303.69	43.88	Ins. Mandatory Life - Std	2,532.83
June	303.69	43.88	Ins. Mandatory Life - Std	2,792.64

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Month	Payments to Escrow	Payments from Escrow	Description	Projected Balance
June	0.00	1,125.28	Property Taxes	1,667.36
July	303.69	43.88	Ins. Mandatory Life - Std	1,927.17

Actual activity from: 08/01/2010 to 07/31/2011 for Previous Year

Previous P&I	Previous Escrow	Previous Payment	Interest on Escrow
1,015.83	310.40	1,326.23	24.12

Month	Payments to Escrow	Payments from Escrow	Description	Balance
August	0.00	43.88	Ins. Mandatory Life - Std	1,256.91
August	303.69	0.00		1,560.60
September	0.00	426.24	Fire & Hazard Insurance	1,134.36
September	0.00	440.94	Disaster Indemnity Premiums	693.42
September	0.00	43.88	Ins. Mandatory Life - Std	649.54
September	303.69	0.00		953.23
October	0.00	43.88	Ins. Mandatory Life - Std	909.35
October	303.69	0.00		1,213.04
November	0.00	43.88	Ins. Mandatory Life - Std	1,169.16
November	303.69	886.35	Property Taxes	586.50
December	0.00	43.88	Ins. Mandatory Life - Std	542.62
December	303.69	0.00		846.31
January	0.00	43.88	Ins. Mandatory Life - Std	802.43
January	303.69	0.00		1,106.12
February	0.00	50.59	Ins. Mandatory Life - Std	1,055.53
February	310.40	0.00		1,365.93
March	0.00	50.59	Ins. Mandatory Life - Std	1,315.34
March	310.40	886.35	Property Taxes	739.39
April	0.00	50.59	Ins. Mandatory Life - Std	688.80
April	310.40	0.00		999.20
May	0.00	50.59	Ins. Mandatory Life - Std	948.61
May	310.40	0.00		1,259.01
June	0.00	50.59	Ins. Mandatory Life - Std	1,208.42
June	334.52	0.00		1,542.94
July	310.40	50.59	Ins. Mandatory Life - Std	1,802.75

Escrow Disclosure Statement

Analysis from: 08/01/2011 to 07/01/2012 for Coming Year

Account No: xxxxxx

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5,277.72	Total Projected Payments from Escrow
12	Divide by Number of Months in Analysis Period
439.81	Equals the Projected Payment to Escrow
879.62	Target Balance* (Cannot be Greater than 2 Escrow Payments)
1,573.06	Required Starting Balance to achieve the Target Balance
1,129.35	Subtract Projected Starting Balance
443.71	Your account is showing a shortage of \$443.71.
	We have decided to collect it over 12 months.
	If you choose to pay your shortage in full, your new monthly payment will be \$1,524.73
New P&I	New Escrow
1,084.92	476.79
	New Payment
	1,561.71

Month	Payments to Escrow	Payments from Escrow	Description	Required Balance
			STARTING BALANCE	1,573.06
August	439.81	93.09	Ins. Mandatory Life - Std	1,919.78
September	439.81	93.09	Ins. Mandatory Life - Std	2,266.50
October	439.81	93.09	Ins. Mandatory Life - Std	2,613.22
November	439.81	93.09	Ins. Mandatory Life - Std	2,959.94
November	0.00	1,495.98	Property Taxes	1,463.96
December	439.81	93.09	Ins. Mandatory Life - Std	1,810.68
January	439.81	93.09	Ins. Mandatory Life - Std	2,157.40
February	439.81	93.09	Ins. Mandatory Life - Std	2,504.12
March	439.81	93.09	Ins. Mandatory Life - Std	2,850.84
March	0.00	574.44	Fire & Hazard Insurance	2,276.40
March	0.00	594.24	Disaster Indemnity Premiums	1,682.16
April	439.81	93.09	Ins. Mandatory Life - Std	2,028.88
May	439.81	93.09	Ins. Mandatory Life - Std	2,375.60
May	0.00	1,495.98	Property Taxes	879.62
June	439.81	93.09	Ins. Mandatory Life - Std	1,226.34
July	439.81	93.09	Ins. Mandatory Life - Std	1,573.06

Projections from: 08/01/2010 to 07/01/2011 for Previous Year

Month	Payments to Escrow	Payments from Escrow	Description	Projected Balance
			STARTING BALANCE	1,149.06
August	429.08	85.93	Ins. Mandatory Life - Std	1,492.21
September	429.08	85.93	Ins. Mandatory Life - Std	1,835.36
October	429.08	85.93	Ins. Mandatory Life - Std	2,178.51
November	429.08	85.93	Ins. Mandatory Life - Std	2,521.66
December	429.08	85.93	Ins. Mandatory Life - Std	2,864.81
December	0.00	1,482.88	Property Taxes	1,381.93
January	429.08	85.93	Ins. Mandatory Life - Std	1,725.08
February	429.08	85.93	Ins. Mandatory Life - Std	2,068.23
March	429.08	85.93	Ins. Mandatory Life - Std	2,411.38
March	0.00	545.71	Fire & Hazard Insurance	1,865.67
March	0.00	564.53	Disaster Indemnity Premiums	1,301.14
April	429.08	85.93	Ins. Mandatory Life - Std	1,644.29
May	429.08	85.93	Ins. Mandatory Life - Std	1,987.44

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Month	Payments to Escrow	Payments from Escrow	Description	Projected Balance
June	429.08	85.93	Ins. Mandatory Life - Std	2,330.59
June	0.00	1,482.88	Property Taxes	847.71
July	429.08	85.93	Ins. Mandatory Life - Std	1,190.86

Actual activity from: 08/01/2010 to 07/31/2011 for Previous Year

Previous P&I	Previous Escrow	Previous Payment	Interest on Escrow
1,084.92	436.24	1,521.16	23.13

Month	Payments to Escrow	Payments from Escrow	Description	Balance
August	0.00	85.93	Ins. Mandatory Life - Std	1,063.13
August	429.08	0.00		1,492.21
September	0.00	85.93	Ins. Mandatory Life - Std	1,406.28
September	429.08	0.00		1,835.36
October	0.00	85.93	Ins. Mandatory Life - Std	1,749.43
October	429.08	0.00		2,178.51
November	0.00	85.93	Ins. Mandatory Life - Std	2,092.58
November	429.08	1,495.98	Property Taxes	1,025.68
December	0.00	85.93	Ins. Mandatory Life - Std	939.75
December	429.08	0.00		1,368.83
January	0.00	85.93	Ins. Mandatory Life - Std	1,282.90
January	429.08	0.00		1,711.98
February	0.00	93.09	Ins. Mandatory Life - Std	1,618.89
February	436.24	0.00		2,055.13
March	0.00	574.44	Fire & Hazard Insurance	1,480.69
March	0.00	594.24	Disaster Indemnity Premiums	886.45
March	0.00	93.09	Ins. Mandatory Life - Std	793.36
March	436.24	1,495.98	Property Taxes	-266.38
April	0.00	93.09	Ins. Mandatory Life - Std	-359.47
April	436.24	0.00		76.77
May	0.00	93.09	Ins. Mandatory Life - Std	-16.32
May	436.24	0.00		419.92
June	0.00	93.09	Ins. Mandatory Life - Std	326.83
June	459.37	0.00		786.20
July	436.24	93.09	Ins. Mandatory Life - Std	1,129.35

ESCROW ANALYSIS AND DISCLOSURE STATEMENT QUESTIONS AND ANSWERS

- 1. Q. I haven't received my escrow refund. Has it been mailed or when will it be mailed?**

A. Escrow refunds will be processed by the end of June providing that your account is not more than 30 days delinquent. If your account is 30 days or more delinquent and reflects a refund, the refund will be held until the account becomes current or you may request to have the refund applied to your delinquency by contacting the Collections Unit at (916) 503-8357.
- 2. Q. My statement says my account is short yet my payment is decreasing, why?**

A. A decrease to a payment can be caused by a couple of different reasons and/or a combination of reasons. One reason could be that your projected disbursements are less this year. Another reason could be that the repayment of this years shortage is less than last years shortage.
- 3. Q. Explain cushion.**

A. Cushion is the excess monies carried in your impound account that allows us to cover unanticipated disbursements or disbursements made before the borrower's payments are available in the account. CalVet has established a two-month cushion for each Contract Holder for this purpose; therefore, your escrow account should not reflect a balance less than the total of two monthly escrow payments.
- 4. Q. Explain target balance.**

A. The target balance is that point during the next fiscal year that your account will reach the total of two monthly escrow payments (cushion). This takes into consideration, your required beginning balance, scheduled periodic payments and disbursements. Regulations allow a two-month cushion in an escrow account to cover unanticipated disbursements or disbursements made before the borrower's payments are available in the account.
- 5. Q. Explain the required starting balance.**

A. The required starting balance represents the funds necessary to achieve the target balance in your escrow account during the year when combined with the monthly incoming escrow payments and disbursements. Regulations allow CalVet to require the borrower to repay a shortage in the required starting balance within 30 days or to repay the shortage amount in equal monthly payments over at least a 12-month period. CalVet chose to allow a repayment over a 12-month period.

6. Q. How did you arrive at my required starting balance?

A. Projected payments to your escrow account and disbursements from your escrow account along with the requirement of a cushion were programmed into the accounting system. The system then calculated the starting balance necessary to assure the balance in your escrow account would never go below the two-month cushion (target balance) during the year. If you look at the box at the top of the disclosure it will indicate the figure that is the target balance. Now look at the projections for next year in the right column "Required Balance" and you will see that same figure (target balance) at some point during the next fiscal year from August through July. Using any other starting balance will not allow for this to happen and your account at some point will drop below the required cushion. It should be noted that we are only limiting the minimum balance; there is no maximum balance during the year so there will be times that your balance is well above the target balance.

7. Q. What makes up the total projected payments?

A. Projected payments represents all the projected disbursements for your loan for the next fiscal year. When divided by 12, it then represents the monthly amount required to meet the projected disbursements. This figure when combined with any shortage of the established two-month cushion will make up your new escrow collection monthly.

8. Q. Why is my projected payment to escrow different than the new escrow payment?

A. The new escrow payment represents the amount necessary to cover the next fiscal year disbursement projections and the monthly amount necessary to cover the shortage in the two-month cushion (if applicable) that is required to start your escrow balance August 1st.

9. Q. Will this be my payment for the rest of the year?

A. Yes, unless The Standard Insurance Company notifies us of any new life and/or disability insurance premiums or cancellation of those premiums. Contact Standard insurance toll free at 866-825-5796.

10. Q. My disclosure statement shows a surplus of (less than \$50.00). I want it refunded to me.

A. Regulations allow CalVet to credit any surplus amount in an escrow account under \$50.00 to the next year's escrow impound by reducing the monthly escrow collection. This was determined to be the most prudent and economically feasible choice. There will be no exception.

11. **Q. I want you to keep the refund because I know there will be a Supplemental Tax bill, can you do that?**
- A. RESPA requires that we refund all excess monies in your impound account that exceeds \$50.00. However, if the refund has not yet been issued, you may submit a written request by mail or via fax at (916) 653-2450 requesting that we place the refund in your tax impound account for payment of a future Supplemental Tax bill and we will do it. If, however, the refund has already issued, you will need to return the refund for deposit to your account; you may do so with a written request asking us to deposit your payment to your impound account. You should send this payment to The Department of Veterans Affairs, P.O. Box 942895, Sacramento, CA 94295-0001 ATTN: Customer Services. It is your responsibility to provide us with the Supplemental Tax bill when issued.
12. **Q. It is obvious to me that you did not pay a future tax bill for my property or that your projections are too low, why did you reduce my payment?**
- A. We are required to project your payments using the actual disbursements made on your account unless we are aware that the prior disbursement does not reflect a full assessment. It is many times difficult for CalVet to be aware if the bill paid is at the fully assessed value, as we cannot examine each bill. If, however, you become aware and want your payment to be increased, we can do so with your written request.
13. **Q. Why don't you calculate the interest on the impound account monthly so that I receive more interest?**
- A. The interest is calculated for your escrow account every time an activity occurs, i.e. impound monies are received or a disbursement is made from the impound account. The program to calculate the interest is run when we process the Escrow Disclosure Statement and a total sum of the interest is then added into the escrow account.
14. **Q. What is RESPA?**
- A. RESPA means the Real Estate Settlement Procedures Act of 1974, 12 U.S.C. 2601 et seq. If you have any questions regarding RESPA, please direct them to the Director, Office of Consumer and Regulatory Affairs, Department of Housing And Urban Development, 451 7th Street SW., Washington, DC 20410-8000.